



STATE BOARD OF LAND COMMISSIONERS

Dirk Kempthorne, Governor and President of the Board

Ben Ysursa, Secretary of State

Lawrence G. Wasden, Attorney General

Keith L. Johnson, State Controller

Marilyn Howard, Superintendent of Public Instruction

Winston A Wiggins, Secretary to the Board

Final Minutes Regular Land Board Meeting March 14, 2006

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, March 14, 2006 in Boise, Idaho. The meeting began at 9:01 a.m. in the second floor courtroom of the Borah Post Office building. The Honorable Dirk Kempthorne presided. The following members were present:

Honorable Secretary of State Ben Ysursa
Honorable Attorney General Lawrence G. Wasden
Honorable State Controller Keith L. Johnson

Secretary to the Board Winston A Wiggins

Superintendent of Public Instruction Marilyn Howard was absent for this meeting.

ITEM NOT ON AGENDA – NO BOARD ACTION TAKEN

The meeting began with Director Wiggins introducing new IDL employees to the Board.

1. Kahle Becker, Legal Counsel, assigned Director's Office, Boise
2. Walt Bulawa, Geographic Information Systems, Director's Office, Boise
3. Chris Clay, Geographic Information Systems, Director's Office, Boise
4. Brian Emmen, Geographic Information Systems, Director's Office, Boise
5. Cathy Grisham, Fiscal Section, Director's Office, Boise
6. Tanya Hellewell, Fiscal Section, Director's Office, Boise
7. Jon Pope, Management Information Services, Director's Office, Boise
8. Teresa Sargent, Human Resources, Director's Office, Boise
9. Rob Sosnowski, Geographic Information Systems, Director's Office, Boise
10. Dave Urban, Information Technology, Director's Office, Boise
11. Craig Webber, Information Technology, Director's Office, Boise
12. Jeffrey Fidgen, Forestry Assistance Bureau, Coeur d'Alene Staff Office
13. Tim Gates, Information Technology, Coeur d'Alene Staff Office
14. Tracy Morgan, Geographic Information Systems, Coeur d'Alene Staff Office
15. Tom Paulson, Fire Management Bureau, Coeur d'Alene Staff Office
16. Kirk Kottkey, Clearwater Supervisory Area, Orofino
17. Tim Tevebaugh, Craig Mt Supervisory Area, Craigmont
18. Allen Ruberry, Eastern Idaho Supervisory Area, Idaho Falls
19. Ryan Woodland, Eastern Idaho Supervisory Area, Idaho Falls

- 20. Rick Belnap, Payette Lakes Supervisory Area, McCall
- 21. Wendy Walter, South Central Supervisory Area, Jerome
- 22. Steve Wells, South Central Supervisory Area, Jerome

Governor Kempthorne welcomed the new employees to public service and to the Department of Lands. He commented that his first job after graduating from the University of Idaho was with the Department of Lands in the Bureau of Mines and Geology. He was later transferred to Boise where he worked as the assistant to then Director Gordon Trombley. Governor Kempthorne remarked that each of the new employees in their respective roles and responsibilities enhance this State and its assets. He commended the new employees for choosing to serve fellow citizens by being State employees. He counseled them to "Work hard. Keep values and ethics always at the forefront. Realize that many people depend upon you – it may be fellow employees, but it is also the citizens. Know that this organization is as strong as all of its individual members make it and you make a difference. Welcome and I'm very proud to have you become part of this organization."

Secretary of State Ysursa echoed the comments of Governor Kempthorne and welcomed the new employees. He stated the mandate is Article IX, Section 8, which generates the money for the endowment fund. He thanked the new employees for joining in that task.

Attorney General Wasden expressed appreciation for the work of Department of Lands employees. He commented that the employees will occasionally see Board members in the field.

Controller Johnson welcomed the new employees and stated he hopes their service is enjoyable, and he looks forward to the relationship.

• **CONSENT**

Director Wiggins provided background information on the Consent Agenda items.

A motion was made by Attorney General Wasden to approve the Consent Agenda in its entirety. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 4-0, with Superintendent Howard being absent for this vote.

1. Director's Report – approved

- A. Interest Rate on Department Transactions – February 2006
- B. Bureau of Real Estate, Land Sale Section, Official Transactions – January 2006
- C. Bureau of Real Estate, Easement Section, Official Transactions – January 2006
- D. Bureau of Surface and Mineral Resources, Official Transactions – January 2006
- E. Timber Sale Official Transactions – January 21, 2006 through February 24, 2006
- F. Timber Sale Activity Report
- G. Legal Matter Summary

2. Timber Sales – Staffed by Roger Jansson, Operations Chief-North and George Bacon, Operations Chief-South – approved

- | | | | | |
|----------------|------------|-------|-----|--------|
| A. Coleman | CR-20-0259 | 1,790 | MBF | Bonner |
| B. Zimmer Pass | CR-60-0169 | 4,140 | MBF | Boise |

3. Timber License Plate Fee Recommendations – Staffed by Betty Munis, Director, Idaho Forest Products Commission – approved

Director Wiggins provided background information. This agenda item contains recommendations for the expenditure of fees from timber license plates. Timber license plates generate about \$66,000 in revenue each year. A couple of large one-time expenditures are proposed by the Forest Products Commission.

- Proposal #9 – 4th grade project, *Timber Industry History*. This project would develop a supplemental educational item that could be used in the 4th grade to teach about the history and role of the timber industry, and timber in general, in Idaho. It is a one-time expense of \$25,000.
- Proposal #12 – *National Forest Products Week State Tree Poster Project*. This is a joint project between the Department of Lands and the National Association of State Foresters. NASF is developing a poster of state trees for all of the states. The proposal is to deliver a framed tree poster, along with brochures and information about the timber contribution to Idaho's economy, as well as the contribution of endowment timberlands to school funding, to every school in the State of Idaho during Forest Products Week this fall. This proposal has been approved by the Forest Products Commission.

Director Wiggins noted that when one-time expenses are removed, the actual ongoing expenses are very close to annual revenues.

Director Wiggins also informed the Board that the Idaho Forest Products Commission has won a Rocky Award, an advertising award, recognizing the IFPC as having the best television advertisement in Idaho this year. In addition, the IFPC has won another Rocky Award for the billboard campaign that accompanies Arbor Day.

DEPARTMENT RECOMMENDATION: Direct the Department, in conjunction with the Idaho Forest Products Commission, to proceed with the recommended educational projects.

BOARD ACTION: Approved.

4. Request to Sell Surplus Property for the Lava Hot Springs Foundation – Staffed by Perry Whittaker, Chief Bureau of Real Estate – approved

DEPARTMENT RECOMMENDATION: Direct the Department to advertise the property for sale and conduct a public auction to dispose of this surplus property.

BOARD ACTION: Approved.

5. Minutes – approved

A. Regular Land Board Meeting – February 14, 2006

• **REGULAR**

6. Endowment Fund Investment Board Manager's Report – Presented by Winston Wiggins, Director, Idaho Department of Lands

Mr. Larry Johnson, EFIB Manager of Investments, was absent for this meeting. Director Wiggins provided a brief overview of the EFIB Manager's report.

For the benefit of the Department's new employees, Governor Kempthorne asked Director Wiggins to provide a brief overview of how the Board in 1999 embarked upon this venture.

Director Wiggins stated several constitutional amendments were passed by the citizens of Idaho. These amendments modified the Constitution allowing the monetary side of the endowment fund, which now totals nearly \$950 million, to be invested in equities. Prior to that time, monies had been invested in the safest of securities, treasuries and so forth. The rate of growth, while steady and dependable, was low. Now, the Endowment Fund Investment Board invests these funds and has since those constitutional amendments went into effect, in a combination of 70% equities and 20% bonds, to generate revenue for the beneficiary institutions. While the Investment Board, which reports to the State Board of Land Commissioners, manages the monetary side, they are, in a way, the mirror image of Department employees, as land managers, in the sense that the Department manages the land asset to make money, and that money flows into the earnings reserve account and is used to fund Department operations and is used to pay out the equivalent of dividends to the beneficiary institutions, which includes the public schools and eight other institutions. So what we have with the Investment Board is a synergistic kind of relationship. We both have the same goals. We contribute to each other and the end result is, and will be for the long term, vastly improved revenues to beneficiary institutions. Director Wiggins believes the opportunity here is enormous, in light of the pressures that are on particularly the schools, property taxes and those sorts of things, for the Department of Lands, with the Endowment Fund Investment Board and the State Board of Land Commissioners, to play a positive role in helping to address those critical issues.

Governor Kempthorne added that the Endowment Fund Investment Board makes the investments. He noted that Director Wiggins mentioned active managers. He likened the active managers to a sports team wherein each team member has a different responsibility. Some players will be much more aggressive at investing. Others will be much more conservative. The conservative players are the foundation. The more aggressive players will have a little more cyclic performance. Sometimes home runs will be hit. Other times they will not. But the fact that all of the players are performing above their benchmarks is significant. Governor Kempthorne anticipates this year the Fund will reach \$1 billion. When the Board started down this road, the Fund totaled approximately \$760 million. Unfortunately the stock market plummeted shortly after that start so it took a while to get back. Governor Kempthorne added that at least twice a year the Board invites the Endowment Fund Investment Board members to join a Land Board meeting. The purpose of the joint meeting is to have a business discussion about what they are doing, what the auditors have to say, et cetera. The Endowment Fund Investment Board members are very talented citizens who serve at no compensation.

No action was taken on this agenda item.

7. Final Approval Request for Boise Foothills/North Idaho Land Exchange – Presented by Perry Whittaker, Chief, Bureau of Real Estate – approved

DEPARTMENT RECOMMENDATION: Direct the Department to make an offer to complete the land exchange by including the Rocky Canyon endowment parcel and expending \$315,000 from the Land Bank to equalize the exchange values.

DISCUSSION: Governor Kempthorne asked if the term “equal value” includes either land or financial contribution. Mr. Whittaker stated it does.

Governor Kempthorne invited comments from Justice McDevitt and Paul Woods. Justice McDevitt commended Mr. Whittaker for a job well done. He added that during this process the endorsement

was received from every county commissioner where an exchange is to take place. Mr. Paul Woods, City of Boise, thanked the Department of Lands for their work. This process began after a meeting with Senator Craig the day after Christmas 2002. Up to twenty members of the Department of Lands participated in discussions on how to put this plan together, and Mr. Woods feels it has been a remarkable effort. Mr. Woods also thanked Governor Kempthorne and Controller Johnson for their participation.

Governor Kempthorne also commended everyone involved.

Secretary of State Ysursa commented this is a remarkable process. The City of Boise voted on this issue about the Foothills exchange and how to get funding for it. This is quite a model and everyone should be commended for their hard work. He stated he enthusiastically supports the motion.

Governor Kempthorne recalled that this project goes back twenty years. Justice McDevitt stated Governor Kempthorne participated in the first agreement that helped put together a study of the Foothills. That agreement was the genesis of this project. Governor Kempthorne remarked it has been a steady progress, and we are getting close to the goal.

BOARD ACTION: A motion was made by Attorney General Wasden to approve the Department's recommendation. Controller Johnson seconded the motion. The motion carried on a vote of 4-0, with Superintendent Howard being absent for this vote.

- **INFORMATION**

Director Wiggins briefed the Board on the Information Agenda items. No Land Board action is required on the Information Agenda.

8. Status of Bills Monitored by IDL – 2006 Legislative Session

9. Grazing Fee for Calendar Year 2007

At 9:38 a.m. a motion was made by Controller Johnson to resolve into Executive Session. Attorney General Wasden seconded the motion. The motion carried on a vote of 4-0, with Superintendent Howard being absent for this vote.

- **EXECUTIVE SESSION**

- A. To Consider Records that are Exempt from Disclosure [[Idaho Code § 67-2345\(1\)\(d\)](#)]
- B. To Consider and Advise Its Legal Representatives in Pending Litigation or Where There is a General Public Awareness of Probable Litigation [[Idaho Code § 67-2345\(1\)\(f\)](#)]
- C. To Consider Personnel Matters [[Idaho Code § 67-2345\(1\)\(b\)](#)]
- D. To Consider Acquiring an Interest in Real Property Which is Not Owned by a Public Agency [[Idaho Code § 67-2345\(1\)\(c\)](#)]

At 11:40 a.m. a motion was made by Attorney General Wasden to resolve into Regular Session. Controller Johnson seconded the motion. The motion carried on a vote of 4-0, with Superintendent Howard being absent for this vote. No actions were taken by the Board during the Executive Session.

ITEM NOT ON AGENDA – BOARD ACTION TAKEN IN REGULAR SESSION

BOARD ACTION: A motion was made by Attorney General Wasden to award the Director a salary increase to policy plus three percent. A regular management review of the Director will be scheduled to coincide with the next joint meeting with the Endowment Fund Investment Board later this summer. Controller Johnson seconded the motion. The motion carried on a vote of 4-0, with Superintendent Howard being absent for this vote.

Before adjourning, Governor Kempthorne thanked Director Wiggins for allowing the Board to welcome new Department employees at Land Board meetings. Director Wiggins stated it makes a big difference to the employees, and it is a window into a piece of the Department that many of them never see.

There being no further business to come before the Board, the meeting adjourned at 11:42 a.m.

IDAHO STATE BOARD OF LAND COMMISSIONERS

/s/ Dirk Kempthorne

President, State Board of Land Commissioners and
Governor of the State of Idaho

/s/ Ben Ysursa

Ben Ysursa
Secretary of State

/s/ Winston A Wiggins

Winston A Wiggins
Director

The above-listed final minutes were approved by the State Board of Land Commissioners at the April 11, 2006 regular meeting.